

## Message Text

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ACTION EB-03

INFO OCT-01 SS-15 ADP-00 NSC-10 NSCE-00 CIAE-00 INR-10

NSAE-00 RSC-01 L-02 CAB-01 COME-00 DODE-00 FAA-00

RSR-01 /044 W

----- 023757

R 100803 Z MAY 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 5109

C O N F I D E N T I A L MANILA 5414

LIMDIS

E O 11652: GDS

TAGS: ETRN, RP

SUBJ: CIVAIR: US- PHILIPPINE AIR TRANSPORT POSTURE

REF: STATE 85115

1. SUMMARY: WE BELIEVE PALACE AT HIGHEST LEVEL IS DIVIDED ON POLICY TOWARDS REVAMPING PHILIPPINE CIVIL AVIATION AND HANDLING OF CIVIL AIR ISSUES WITH USG. VISIT HERE OF AMBASSADOR ROMUALDEZ MAY CAUSE SOME MOVEMENT TOWARD RESOLVING POLICY ISSUES BUT THIS NOT LIKELY TO BE ACHIEVED SOON. WE WILL CONTINUE EFFORTS WITH MELCHOR AND OTHER OFFICIALS TO ENCOURAGE SUCH MOVEMENT AND WILL BE ON THE ALERT FOR AN APPROPRIATE OCCASION TO REMIND MELCHOR AND OTHERS OF RECIPROCAL POSITION USG MIGHT TAKE TO REQUIRE ADVANCE FILING OF SCHEDULES BY PAL. END SUMMARY.

2. EMBASSY AGREES THAT RECENT TURN OF EVENTS RE PANAM REQUEST IS FRUSTRATING AND UNHELPFUL SIDESTEP FROM MAIN EFFORT RETURN TO NEGOTIATIONG TABLE. FROM HERE, WE SEE TWO SETS OF COMPLICATIONS WHICH, IN FACT, MAY BE ONLY ONE.

3. FIRST, WE HAVE BEEN SURE THAT NO REAL MOVEMENT ON BILATERAL TALKS WOULD OCCUR UNTIL AT LEAST MAIN OUTLINES NEW PHIL CIVAIR REGIME ESTABLISHED AND ACCEPTED LOCALLY. VARIOUS ATTEMPTS TO  
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DO THIS BY MANEUVER FROM OUTSIDE PAL ( ACACIA INVESTMENTS STOCK RAID ATTEMPT; AIR MANILA/ SILVERIO TAKEOVER BID) HAVE FAILED SO FAR, AS HAVE ATTEMPTS TO SETTLE THE ISSUE BY PRESIDENTIAL DECREE OR LESSER INTERVENTION. PAL REMAINS DOMINANT, WITH THE ONLY PROGRESS SO FAR BEING THE MERGER, AT LEAST OF CERTAIN FUNCTIONS, OF AIR MANILA AND FILIPINAS. IN SHORT, TODA REMAINS OSTENSIBLY VERY ABLE TO RESIST PRESSURES AT ALL LEVELS.

4. SECOND, WHAT WE HAVE JUST WITNESSED IN THE HANDLING OF THE PANAM REQUEST FOR ADDED FREQUENCIES PROVIDES THE BEST EVIDENCE TO DATE OF REAL DIVISIONS IN TOP LEVELS OF GOP. IN THE FIRST INSTANCE, PRESIDENT MARCOS APPROVED THE PANAM REQUEST, WE ARE INFORMED, IN WRITING. THIS APPROVAL WAS THE BASIS FOR THE PHIL CAB LETTER OF AUTHORITY TO PANAM ( MANILA 4110), WHICH WAS LATER WITHDRAWN UNDER PRESSURE FROM PAL AND ROMUALDEZ. THE INITIAL POSITION OF THE CAB WAS TO RESPOND TO PANAM' S REQUEST WITH PRESIDENTIAL BLESSING. THE REVERSAL, WE BELIEVE, WAS EFFECTED MAINLY BY ROMUALDEZ, APPARENTLY THROUGH MRS. MARCOS.

5. THE DIVISION APPARENT IN MALACANANG WILL BE WITH US, WE THINK, UNTIL IT IS CLEAR THAT PAL REMAINS ON TOP, OR THAT BATTLE IS DECISIVELY LOST AND PAL, AT LEAST AS PRESENTLY CONSTITUTED, FADES FROM THE SCENE. THE FORMER AT THIS STAGE IS MOST LIKELY, WITH MRS. MARCOS APPARENTLY LENDING HER SUPPORT TO TODA IN PART TO ASSURE A LEADING ROLE FOR AMBASSADOR ROMUALDEZ IN PAL' S FUTURE.

6. WITH THE FOREGOING IN MIND, WE CONSIDER THE RESULTS OF THE PANAM EFFORT UNFORTUNATE, EVEN THOUGH WE WOULD NOT FAULT PANAM FOR TRYING, GIVEN THE HISTORY OF THIS CIVAIR RELATIONSHIP. THE NEW CONFRONTATION WHICH PANAM' S REQUEST APPEARS TO HAVE PRECIPITATED IN MALACANANG NONETHELESS MUDDIES THE WATERS FOR US IN DECIDING HOW BEST TO FOLLOW THROUGH ON REFTEL REQUEST.

7. IT SHOULD BE NOTED IN CONNECTION WITH MELCHOR' S INFORMAL CONVERSATION WITH DCM REPORTED MANILA 4737 THAT EXEC SECY WAS RESPONDING TO LOW- KEY APPROACH BY ECON/ COMMERCIAL COUNSELOR ON PANAM FREQUENCY ISSUE, NOT TAKING AN INITIATIVE TO SET FORTH GOP " POSITION". DEPARTMENT WAS INFORMED OF COUNSELOR' S PROPOSED APPROACH IN MANILA 4280, PARA 2. DEPARTMENT' S RESPONSE ( STATE 73066) DID NOT COMMENT ON PROPOSED TALK WITH MELCHOR BUT STATED THAT DEPARTMENT WOULD NOT APPROACH ROMUALDEZ ON MATTER. DIVI-CONFIDENTIAL

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SION IN PALACE ON GOP POLICY TOWARD PHILIPPINE AVIATION DEVELOPMENT, AS WELL AS ON US- RP CIVAIR ISSUES, CLEARLY PLACES MELCHOR AND CAB OFFICIALS IN AWKWARD POSITION AND EXPLAINS SOMEWHAT BRUSQUE MANNER IN WHICH MELCHOR DELIVERED HIS MESSAGE. THE SAME EARINESS WAS REFLECTED IN CONVERSATION WITH CHARGE MAY 7 BY FOREIGN AFFAIRS UNDERSECRETARY INGLES ( ALSO CAB MEMBER) WHO SUGGESTED THAT CIVIL AIR TALKS PROBABLY BEST PUT OFF FOR INCLUSION

IN " PACKAGE" RE NEGOTIATION OF SEVERAL BILATERAL AGREEMENTS, AS CONTEMPLATED BY MARCOS. CHARGE DISAGREED JEKAOOK OCCASION TO POINT OUT ONE- SIDEDNESS OF PRESENT SITUATION ON FREQUENCIES AND SOME OTHER MATTERS, BUT LOCUS OF CONVERSATION MADE FULLER DISCUSSION INAPPROPRIATE ( MEMCON POUCHED EA/ PHL).

8. BASED ON OUR ASSESSMENT OF PRESENT SITUATION, EMBASSY INTENDS MAINTAIN DIALOGUE WITH MELCHOR AND CAB CHAIRMAN QUIAZON IN ORDER ENCOURAGE GOP TO CONCENTRATE ON PROPOSALS MADE BY USG IN FEBRUARY, WHICH WE UNDERSTAND ARE ON PRESIDENT' S DESK WITH PROPOSED GOP RESPONSE. WE MUST RECOGNIZE, HOWEVER, THAT WHILE BASIC ISSUES REMAIN UNRESOLVED AT HIGHEST PALACE LEVEL, DEFINITIVE GOP RESPONSE TO US PROPOSALS NOT LIKELY TO BE FORTHCOMING.

9. WE HAVE IN THE PAST OUTLINED TO MELCHOR AND QUIAZON POSSIBLE ACTION US CAB COULD TAKE UNDER PART 213 TO REQUIRE PAL FILE IN ADVANCE SCHEDULES

FOR APPROVAL OR DISAPPROVAL. WHILE WE HAVE BEEN OPPOSED TO INSTITUTING THIS REQUIREMENT IN VIEW OF LIKELIHOOD PHIL CAB WOULD REACT BY CAUSING GREATER DIFFICULTIES FOR AMERICAN CARRIERS, WE ARE KEEPING OUR POSITION UNDER REVIEW IN CONTEXT OF DISCUSSIONS HERE. WE WILL WATCH FOR AN APPROPRIATE OCCASION TO REMIND MELCHOR AND QUIAZON OF PART 213 AUTHORITY.  
HAMILTON

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